



STRATEGIC PLAN

2000–2004

OIG

Office of Inspector General

Foreword

This strategic plan represents a new long-range direction for the Office of Inspector General (OIG) of the Board of Governors of the Federal Reserve System (the Board) that forecasts the future nature and focus of our work over the next five years and how we will carry out our legislated duties and responsibilities. It also reflects the external and internal factors that are, or will be, impacting the Board, the OIG, and the Inspector General community.

Specifically, it acknowledges that the Board is operating in a changing legislative, technological, and demographic environment. It also describes how the OIG's environment is changing and how we will adapt to these changes including our infusion of nontraditional partnering efforts with our normal audit and investigative activities, our increased investment in human capital, our sustained and enhanced use of technology, and our new managerial initiatives to show the results and impact of our work.

A great deal of time, effort, and critical analyses have gone into the development and preparation of this strategic plan from all levels of the OIG, and I wish to thank all of those who actively contributed to its completion. Through these contributions, and our sustained efforts going forward, we will achieve our vision and values and make a positive contribution in helping the Board carry out its programs and operations.



Barry R. Snyder
Inspector General

Table of Contents

	Page
Mission	1
Vision	2
Values	2
Business Environment and Challenges	3
Goals and Objectives	5
Strategies	13
Performance Indicators.....	19

Mission

The Inspector General Act of 1978 (IG Act) (as amended) prescribes that the OIG will

- conduct and supervise independent and objective audits, investigations, and other reviews of Board programs and operations,
- promote economy, efficiency, and effectiveness within the Board,
- prevent and detect fraud, waste, and mismanagement in the Board's programs and operations,
- review and make recommendations regarding possible improvements to existing and proposed legislation and regulations relating to Board programs and operations, and
- keep the Chairman and Congress fully and currently informed of problems.

In addition, the Federal Deposit Insurance Act (as amended) requires the Board's OIG to review failed financial institutions supervised by the Board that result in a material loss to the bank insurance funds and produce, within six months of the loss, a report that includes possible suggestions for improvement in the Board's banking supervision practices. Through an agreement with other financial institutions regulatory agency Inspectors General (IGs) charged with the same legislative requirement, the Board's OIG will also address any relationship of Board-regulated holding companies to material losses to the fund from failed financial institutions supervised by any of these agencies.

Vision

The OIG will be an integral, yet independent, part of the Board and its governance structure. In this role, we will provide value-added customer services that help identify ways for the Board to manage and conduct its programs and operations in a more efficient, economic, and effective manner and that will help prevent and detect fraud, waste, abuse, or mismanagement. A large percentage of our staff resources will be spent on projects that directly focus on specific goals and objectives the Board has outlined in its strategic and biennial performance plans. In addition, the OIG will strive to operate efficiently and effectively, work cooperatively with agency management, and make positive contributions to the Board's success. We will have the objectivity, creativity, breadth of coverage, program and operational knowledge, quality of analysis, customized products and services, and timeliness of information for decision making to distinguish the OIG as an effective evaluation function of the Board and a proper oversight vehicle for the Congress.

Values

The following values serve as the guiding principles on how we accomplish our mission and vision and how we govern our day-to-day operations, management decisions, and employee conduct. These values are consistent with and build on the values of the Federal Reserve as outlined in its *Government Performance and Results Act Planning Document, 1997–2000*.

- **Objectivity and Integrity:** We steadfastly maintain organizational, procedural, and personal independence in all of our operations; particularly those provided in the IG Act or required by audit standards and investigative guidelines. We perform our work without bias or recuse ourselves from the project if we cannot. We do not compromise on what we believe is the proper recommendation or course of action. We will consistently exercise due professional care in the work that we perform.

-
- **Customer Service:** We develop solutions to problems and issues that best address the Board's mission, goals, and functions. We provide the Congress and the public an effective oversight and reporting vehicle. We are committed to delivering professional results - on time, within budget, and of high quality - that have a positive impact on the Board's programs and operations.
 - **Continuous Improvement:** We endeavor to be the best and we take active steps to improve our individual knowledge, skills, and abilities and our operational policies, procedures and processes. We evaluate and learn from our achievements and our less than perfect experiences. We constantly seek ways to improve because we are never satisfied with the status quo.
 - **Teamwork and Information Sharing:** We understand that our ultimate success depends on our ability to function as a highly integrated group. We believe that the accomplishments of the team exceed the sum of our individual contributions. We help and learn from each other and proactively share information and best practices whenever possible. We value all staff and their diversity and we treat each other with respect and dignity.
 - **Reward for Excellence:** We properly reward those who contribute the most toward our mission, vision, values, goals and objectives. We recognize and reward those teams and individuals whose accomplishment and products exceed our standards of quality and timeliness. We support those teams or individuals that get extraordinary results because this achievement ultimately benefits the entire organization.

Business Environment and Challenges

The OIG's strategic direction focuses on ways to assist the Board in achieving its mission, values, and goals, as described in its *Government Performance and Results Act Planning Document 1997 – 2002*. As the nation's central bank, the Federal Reserve System fosters the stability, integrity, and efficiency of the nation's monetary, financial, and payment systems so as to promote optimal macroeconomic performance.

The Federal Reserve has three primary goals

- to conduct monetary policy toward the achievement of the maximum sustainable long-term growth;
- to promote a safe, sound, competitive, and accessible banking system and stable financial markets through supervision and regulation of the nation's banking and financial systems; and
- to foster the integrity, efficiency, and accessibility of U.S. dollar payment and settlement systems, issue currency, and act as the fiscal agent and depository of the U.S. government.

In the coming years, major economic, financial, and social trends will shape the environment in which the Board and the other financial regulatory agencies operate as well as our strategic direction. These factors include market globalization, technological and financial innovations, statutory and regulatory framework revisions such as further banking deregulation, and demographic trend changes such as the continued aging of the U.S. population. The Gramm-Leach-Bliley Act of 1999, which was signed into law on November 12, 1999, is intended to modernize the financial services industry and includes a number of provisions that will result in new regulations and changes in oversight activities.

Internally, a number of factors at the Board will also directly impact our strategic direction. First, many of the current governors are somewhat new to the organization and many have new operational areas. The appointment of new governors to fill current vacancies is also envisioned with the change in administrations. The areas of emphasis are changing, particularly with respect to the Board's administrative operations. Second, the Board is experiencing significant turnover at the senior management level as more and more senior employees retire. This trend will continue through the foreseeable future. Third, reorganizations and consolidations of a few Board divisions and offices have created new opportunities and challenges. Finally, new management initiatives related to human resources development and strategic planning and budgeting—and the Board's intent to comply with various aspects of the Government Performance and Results Act (the

Results Act)—pose additional challenges in the way that the Board plans, directs, and carries out its mission and measures its overall performance.

Our business environment is also shaped by a number of factors related to the OIG community as a whole. Congress has been evaluating the overall effectiveness of the OIGs, with particular attention to OIG independence, relationship with agency management, and authority to perform the mission. Issues under consideration include annual reporting of activities versus semiannual reporting, the need for expanded law enforcement authority, consolidation of certain smaller OIGs with other larger OIGs, and internal reviews of the OIGs' independent powers. In addition, the OIG community continues to evaluate several major topics including the need for statutory deputation and its implications; the desire to work together to gain a more government-wide perspective on certain management issues; and the need to constantly enhance the skills of OIG staff, particularly with respect to information technology.

Goals and Objectives

Within the context of this business environment and our mission and vision, the OIG has identified three goals and ten corresponding objectives to guide our work over the next five years. Projects to achieve these goals and objectives will be identified on an annual basis. Our *Annual Performance Plan 2000* is included as appendix A to this document.

Goal 1: Provide Value-Added Customer Service to the Board

In keeping with our mission of enhancing Board programs and operations, our first strategic goal focuses on providing value-added customer service to the Board. Within that broad goal, our work will focus on the four strategic objectives described below.

Objective 1: Improve and Enhance the Board's Program Operations

Over the next five years, the Board will continue to operate in a dynamic environment, shaped by legislative reform, increased emphasis on results and performance management, and innovations in the banking industry that require corresponding changes in the Board's supervision and regulation programs, as well as its System oversight functions. Within this environment, we will focus on improving and enhancing Board programs and operations with particular emphasis on the following areas:

- The impact of new or revised laws, regulations, standards, policies, and procedures on Board programs and operations, including the Gramm-Leach-Bliley Act of 1999.
- The effectiveness of the Board's implementation of the Results Act.
- The need for enhancements to the Board's supervision and regulation of financial institutions, given a recent rise in the number of bank failures and increased allegations of fraud and problems in subprime lending and asset securitization.
- The effectiveness of the Board's oversight of Reserve Bank operations; particularly in light of recent changes in the organization structure and oversight strategy for this program.

Objective 2: Strengthen and Streamline the Board's Operational Infrastructure

The Board faces certain challenges in ensuring that it has the people, processes, and technology that it will need to meet the evolving and varying needs of its clients and to provide a wide range of high-quality services in a cost-effective manner. By adopting the Results Act and its associated principles of performance-based management, the Board will need to reexamine its financial management, human capital, administrative operations, and communications infrastructure with a view toward improving operations and strengthening accountability. Over the next five years, we will provide value-added services to help Board management ensure that it has the integrated internal systems,

policies, and processes it needs to meet these new demands by emphasizing the following areas:

- The accuracy and reliability of the Board's financial management operations, including its internal control structure and associated processes for safeguarding its assets.
- The strategy and processes for attracting, developing, retaining, and motivating a highly skilled staff.
- The economy and efficiency of the Board's administrative operations, including the acquisition of goods and services and the effective management and evaluation of outsourced activities.
- The Board's communication strategies and processes for providing a wider understanding of the Board and the System to the public and other interested parties.

Objective 3: Promote the Board's Effective Use of Technology

Information technology continues to advance at a rapid pace, requiring the Board to continually balance automation requirements and costs with service delivery, efficiency, and security concerns. While Board divisions and offices have made significant progress in integrating information technology into their work, a more fully integrated information technology infrastructure would provide enhanced support to the Board in achieving its mission-related, strategic planning, human capital, and business process objectives. With the increased reliance on information technology, we plan to emphasize the following areas:

- The Board's strategic direction and management practices for achieving and maintaining an integrated and reliable information technology infrastructure.
- The effectiveness of the Board's security programs and operations in protecting its information, including preventing the misuse, disruption, and intrusion of its information technology resources.

-
- The implementation of “business first” principles in guiding the direction of information technology development and support.
 - The use of the Internet and other electronic commerce options to improve the Board’s business operations and to provide enhanced online access to Board information.

Objective 4: Help the Board Limit Risk and Ensure Compliance

The Board operates under a myriad of laws and regulations that impact many aspects of its programs and operations. For example, numerous tax and employment laws and regulations impact the Board’s recruiting, compensation, and benefits programs. In addition, Board programs and operations may also be subject to potential damage or loss through fraud, waste, abuse, mismanagement, and employee misconduct. Our work in this area over the next five years will emphasize

- the Board’s compliance with tax and employment laws and regulations, and
- the prevention and detection of fraud, waste, and abuse, with particular attention to apparent employee misconduct and alleged violations of the Board’s standards of conduct, possible contract irregularities, and purported fictitious instrument fraud schemes.

Goal 2: Enhance Coordination and Information Sharing with the Congress, IG Community, and Others

Many of the challenges that face the Board also confront other federal program and operations, and the OIG will most effectively achieve its mission by working closely not only with Board management, but also with the Congress, the IG community, the Reserve Bank General Auditors, and other stakeholders. Furthermore, the Congress may increase its reliance on our office for information and analysis related to Board programs and operations given that the General Accounting Office (GAO), which supports Congressional oversight of federal programs and operations, is shifting its priorities and consolidating certain issue areas including the financial institutions area. In addition, it is important for us to continue and

expand our coordination with other IG's in the financial regulatory agencies to promote consistency in our evaluations and priorities, and across the federal government to help provide a more global assessment of issues that warrant attention. At the same time, we will strive to take advantage of technology and more innovative reporting and communications vehicles to enhance information sharing with our diverse stakeholders.

Objective 1: Develop and Enhance Relations with the Congress

By law, the OIG has a duty and responsibility to keep Congress fully and currently informed by means of semiannual and other reports concerning fraud and other serious problems, abuses, and deficiencies relating to the administration of programs and operations administered or financed by the Board, recommend corrective actions concerning such problems, abuses, and deficiencies, and report on the progress made in implementing corrective actions. With the GAO focusing its attention on the many broad and more global issues facing the government, we have an even greater responsibility to identify and address current and emerging issues related to Board programs and operations that are of high importance to Congress. We plan to emphasize the following areas under this objective:

- Communicate on a regular basis with staff members of the House and Senate Banking Committees and other Congressional committees to identify their needs, priorities, and interests.
- Work with Congressional committees to ensure a logical and appropriate implementation of proposed legislative changes to the IG Act.
- Redesign our semiannual reports to be more responsive to Congressional information needs.

Objective 2: Improve Our Responsiveness to Allegations of Fraud, Waste, Abuse, or Mismanagement and to the Public Requests for Information

We are continuing to look for opportunities to improve our timeliness to Board management and staff, Congressional staff, and others concerning allegations of wrongdoing and to enhance our communications with the general public regarding their potential concerns with the Board's programs and operations and their need for information. To achieve this objective, the OIG will continue to emphasize the following areas:

-
- Operate and enhance our nationwide hotline activities to provide an efficient and effective vehicle to those who may want to report wrongdoing in the Board's programs and operations.
 - Design and implement customer feedback mechanisms (such as customer surveys) to help improve our work products and responsiveness.
 - Redesign our web page to make it easier to use, more informative, and more fully integrated with our business processes.

Objective 3: Take a Positive Leadership Role in the IG Community

While our primary mission is to enhance Board programs and operations, we are also members of the broader IG community. Executive Order 12805, established the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE). The PCIE is primarily composed of Presidentially appointed IGs, while the ECIE is composed of statutory IGs of designated federal entities. The Order directs the Councils to continually identify, review, and discuss areas of weakness and vulnerability in Federal programs and operations to fraud, waste, and abuse, and to develop plans for coordinated, governmentwide activities that address these problems and promote economy and efficiency. In addition, the community strives to address a number of common environmental factors, such as auditor and investigator training, OIG operations, management issues, and legislative changes. Under this objective, we will emphasize the following areas:

- Serve as the ECIE Vice Chair and proactively carry out Council functions.
- Work with PCIE/ECIE members in implementing a comprehensive strategic plan aimed at leading and promoting integrity, accountability, and excellence in governance.
- Foster working groups and committees to enhance Council effectiveness; address areas of common vulnerability; provide relevant information to the Administration and the Congress; and leverage individual audit and investigative successes by sharing ideas and techniques.

Objective 4: Foster Interagency Approaches to Cross-Cutting Issues

As noted earlier, major economic, financial, and social trends (such as market globalization, technological and financial innovations, and statutory and regulatory framework revisions) will shape the environment in which the Board and the other financial regulatory agencies operate. These factors will also affect the strategic direction of the regulatory OIGs and require creative and innovative approaches to providing their respective agencies with assistance in managing change, maximizing the use of scarce resources, and ensuring continued compliance with applicable laws and regulations. To achieve this objective, we will emphasize the following areas:

- Continue our regular working sessions—at both the senior and middle management levels—with representatives from each of the regulatory OIGs to define areas of common interest and to identify coordinated and possibly joint audit efforts, primarily in the area of banking supervision and regulation.
- Maintain appropriate liaison with other organizations and individuals involved in the supervision and regulation area and other mission-related issues.

Goal 3: Enhance the Efficiency and Effectiveness of Internal Operations.

While our mission is to evaluate the programs and operations of the Board, we must also continually review our own processes, systems, and resources searching for ways to improve our service delivery and to serve as an efficient and effective organization within the Board. We have in the past made great strides in improving and streamlining our major business processes but more can be done. Furthermore, many have identified the major future challenge of maintaining an effective workforce to carry out the duties and responsibilities of an organization and we must invest heavily in our human capital and corresponding management approaches in order to produce the kinds of results envisioned in this strategic plan.

Objective 1: Continue to Improve Our Business Processes

Through the effective use of information technology and numerous process enhancements, we have made significant improvements in the way we perform our audits, investigations, and other projects. However, future technological innovations will provide additional opportunities for improvement. To achieve this objective, we plan to

- further adapt information and communications technologies to improve our analytical capabilities, information gathering, product dissemination, recording keeping, and overall service delivery;
- develop a “rapid response methodology” that will leverage our limited resources whenever we need to meet exigent requirements of the Board, Congress, and the public; and
- evaluate new review methodologies, tools, and techniques to determine their applicability to our audits, investigations, and management consulting projects.

Objective 2: Enhance Our Human Capital through Effective Leadership and Management of Our Staff

Human capital is the fundamental building block to achieving an organization’s mission and goals, and we have integrated human capital considerations in developing our vision and values, goals and objectives, and the strategies to achieve them. During this planning period, enhancing our human capital will be one of our highest priorities. We plan to do the following:

- Identify the core knowledge, skills, abilities, and behaviors needed to achieve our mission and strategic direction and enhance our staff’s talents where required.
- Enhance our performance feedback mechanisms to provide incentives and hold employees accountable for contributing to the achievement of our mission, vision, values, goals and objectives.

-
- Foster a performance culture that supports teamwork, information sharing, continuous learning and high achievement.
 - Develop the next set of leaders throughout the organization through succession planning and career development.

Strategies

To achieve these goals and objectives, we have identified the four interlocking cross-cutting strategies described below.

Strategy 1: Realign Our Work To Broaden Our Evaluation of, and Contribution Toward, the Board's Programs and Operations

Heretofore, we have primarily focused on program audits and investigative activities. However, events in recent years and anticipated changes at the Board indicate that we could better fulfill our mission by organizing our work around the following four program areas as follows:

Performance Audits

The performance audit program area conducts program effectiveness and economy and efficiency audits of the Board within its three major mission areas—monetary policy, banking supervision and regulation, and oversight of payment systems and financial services.

Program audits determine the extent to which the desired results or benefits are being achieved, the effectiveness of the program's activities and functions, and whether the programs operate in compliance with significant laws and regulations. Economy and efficiency audits address issues such as whether the Board is using the optimum amount of resources in delivering the appropriate quantity and quality of services in a timely manner; is properly maintaining its resources; and has adequate management information systems for measuring, reporting, and monitoring program operations.

Specific audits to be conducted during the next five years will focus more on current issues, Congressional interest and initiatives, and program changes. This program area also conducts reviews of failed state-chartered member banks that result in a material loss to the bank insurance fund and any associated reviews of Board-regulated holding companies.

Investigations

The investigations program area performs both criminal and administrative investigations of alleged fraud, waste, abuse, mismanagement, and employee misconduct. It covers the full range of investigative requirements from both reactive and proactive directions. Specifically, our approach includes

- reaction to possible wrongdoing identified by others through the OIG hotline and other sources;
- reaction to possible wrongdoing through referrals from auditors; other Board program functions; Congress; and other federal, state, and local audit or law enforcement agencies; and
- attention to prevention and detection activities that both foster an environment that discourages wrongdoing and encourage close coordination with audits on risk and vulnerability surveys.

Financial-Related Audits

The financial-related audit program area concentrates its efforts on assessing the Board's internal control structure and whether it is suitably designed and implemented to achieve the Board's business objectives. More specifically, this program area focuses on

- providing reasonable assurance that the Board's financial statements present fairly the financial position, results of operations, and cash flows in conformity with generally accepted accounting principles;
- assessing the accuracy and reliability of segments of financial statements, financial information, budget data, and financial performance reports;

-
- evaluating the effectiveness of internal controls governing the Board's contracts and procurement activities including outsourced operations;
 - evaluating the internal controls and security procedures over financial and management information systems and the safeguarding of the Board's facilities, assets, and sensitive information, including the controls used in computer-based systems; and
 - determining compliance with applicable laws and regulations related to the Board's financial and administrative operations.

Management Advisory Services

The management advisory services program area provides proactive assistance and information to Board managers by identifying opportunities to foster, expand, and enhance our prevention and partnership activities. Although the OIG has long emphasized prevention activities, we officially established this program area in direct response to congressional and OIG community initiatives to establish better working relationships with agency managers. These services also match the current direction of the audit community in the private sector, where audit departments and external auditors are being asked to review an organization's processes, operations, and goals; to provide useful professional advice to all levels of management; and to pave the way for continuous improvement.

This in-house consulting practice generally incorporates our work in conducting business process reviews of selected operations and facilitating internal control self-assessments. It also encompasses other value-added services, which can include participating in major Board projects or system development efforts and providing Board divisions and offices with a neutral, third party perspective on new program or operational initiatives, an early warning of potential issues that could have a significant impact on Board programs, or technical assistance and training on best practices and related topics. The management advisory services program area also includes our legislated law and regulation review function.

Strategy 2: Maximize The Benefits Of Technology To Improve the Economy, Efficiency, and Effectiveness of Our Operations

To date, the OIG has made considerable use of information technology to improve its internal operations. Through our investments in file servers and end-user notebook computers, our implementation of a standard office suite of software tools, and our use of Lotus NOTES as our application platform, we have been able to highly automate the majority of our core business processes. This has allowed us to closely approach a "paperless" operation while improving our overall communication, enhancing our project coordination, and providing quicker project review and feedback. As a result, we have continued to improve our overall productivity and service delivery.

Going forward, our goals and objectives focus on continuing to expand on our previous technology investment and to search for new and better ways to use technology to meet our business needs and to enhance our internal operations. The Board's implementation of NOTES as its new e-mail system offers us the ability to further extend our applications into the other Board divisions and offices for enhanced planning, data gathering, report processing, and following up on previous projects. Using some of the more recent internet features of NOTES will also offer us the ability to redesign our web page and link it more closely to our existing applications to further automate our report distribution process and to provide an electronic Hotline for reporting potential fraud and abuse. The Board's dial-in capabilities coupled with our highly automated work environment will allow our staff to operate in a "virtual" environment and easily work at remote locations.

In addition, we will explore alternatives for cataloging the vast amount of electronic information that we have accumulated over the years regarding Board programs and operations, so that project teams can more easily gain an historical perspective when beginning to analyze issues associated with future audits and investigations. We will also develop effective records management processes to take full advantage of our extensive information assets and to ensure that the transition from manual to electronic working papers meets all legal and operational records retention requirements.

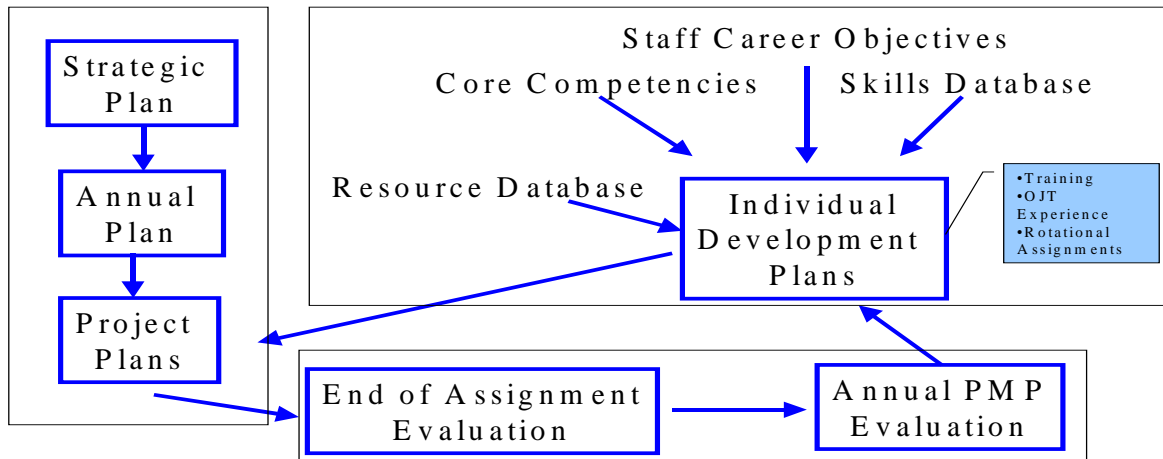
Strategy 3: Emphasize Career Development and Professional Growth To Enhance Our Human Capital

OIG managers and staff play a critical role in achieving our mission and vision. This strategic initiative is designed to

- provide more opportunities to our staff to do different and challenging work (that is, staff can and will work in all four program areas);
- enhance our staff's opportunities to learn and apply their knowledge and abilities;
- expand our staff's career choices, career paths, and career opportunities; and
- produce experts of the Board's business and in the OIG's mission that will create best solutions for addressing issues and problems impacting the Board's programs and operations.

Key to this strategy will be the implementation of a new individual development plan process that will be integrated with many of the elements of this strategic plan as shown in the following diagram:

Career Development Process



Strategy 4: Manage For Results

Our strategic goals and objective will drive us to operate in a results-oriented management approach that asks the questions: Are we making a difference? Are we having a positive impact on the Board's programs and operations? Several process changes and management steps will be made to help ensure these results.

First, our project-planning process will be modified to identify the targeted value-added outcome that may occur because we performed a given project. The plans will then be used as a benchmark to manage our projects and evaluate performance. Secondly, managing for results will require the OIG to enhance the degree of communication between the project team, OIG management, and Board management during project execution. One element to improve our internal communication will be accomplished through a project performance evaluation program that will articulate the roles, responsibilities, and performance expectations of each staff member of a project team and provide more timely feedback of performance results. Thirdly, we will more closely tie our performance evaluation and reward systems to the mission, vision, and values outlined in this *Strategic Plan*, our annual perform-

ance plans, and the results achieved from each OIG project. Lastly, with our focus on results and because of the degree to which our core business processes have been automated, project teams will have a greater flexibility in managing the day-to-day activities of their work.

Performance Indicators

To measure the impact of our work, we will track the following key performance indicators:

Performance Indicators	
Goal 1	<ul style="list-style-type: none">• Quantifiable savings or budget reallocations• Operational efficiencies• Improved program performance• Enhanced compliance with applicable laws and regulations• Effective fraud prevention and detection• Improved internal controls
Goal 2	<ul style="list-style-type: none">• Customer feedback• Active OIG community participation and impact• Extent and outcome of interagency involvement• Impact of new communication methods and products
Goal 3	<ul style="list-style-type: none">• Productivity• Product quality and timeliness• Performance culture changes• Training and career development efforts• Leadership development, advancement opportunities, and succession planning